

Message Text

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ACTION EA-12

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TAGS: EPAP, EINV, RP
SUBJECT: GOP PLANS TO TAKE OVER SIX LARGE COCONUT MILLS

1. AGATT HAS OBTAINED INFORMATION FROM RELIABLE TRADE CONTACTS THAT REPRESENTATIVES OF SIX COCONUT OIL REFINERS WERE CALLED TO CAMP CRAME TO DISCUSS ILLEGAL SUBSIDY PAYMENTS COLLECTED BY REFINERS DURING THE PAST SEVERAL YEARS. COMPANIES WERE ROYAL OIL PRODUCTS, LU DO AND LY YM, PACIFIC OIL PRODUCERS, INTERNATIONAL OIL, LIBERTY OIL, AND MALIBON. MEETING WAS CALLED BY MINISTER OF DEFENSE PONCE ENRILE IN HIS ROLE AS CHAIRMAN OF THE PHILIPPINE COCONUT AUTHORITY (PCA). ENRILE REPORTEDLY TOLD THE OIL MILLERS TO SUBMIT AN ASKING PRICE FOR THEIR MILLS BY JUNE 20 BECAUSE PCA IS CONSIDERING BUYING THEM OUT.

2. THE GOP HAS SUBSIDIZED COCONUT-BASED CONSUMER PRODUCTS SINCE 1973 THROUGH THE USE OF A COCONUT CONSUMERS STABILIZATION FUND (CCSP) WHICH IS FINANCED BY A 60-PESO LEVY ON EACH 100 KILO OF COPRA PAID BY THE FARMER UPON SALE OF HIS COPRA. THE GOP USED THE FUND TO SUBSIDIZE COPRA PURCHASES BY MANUFACTURERS OF COCONUT-BASED CONSUMER PRODUCTS, PRINCIPALLY COOKING OIL AND SOAPS, WHICH

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WERE THEN SUBJECT TO PRICE CONTROLS. OTHER MANUFACTURERS (OR THE SAME FIRM MAKING INDUSTRIAL PRODUCTS AS WELL) PAID FOR COPRA AT THE WORLD MARKET PRICE WHICH WAS SUBSTANTIALLY HIGHER THAN THE SUBSIDIZED PRICE. THIS TWO-TIER PRICING SYSTEM TEMPTED COMPANIES TO FALSIFY RECORDS AND THUS COLLECT THE SUBSIDY PAYMENTS. MISUSES OF THE F WERE HIGHLIGHTED IN A MASTER'S THESIS ON THE COCONUT IN-

DUSTRY BY A PHILIPPINE CONSTABULARY COLONEL. HIS THESIS BECAME PUBLIC KNOWLEDGE AND EVEN THE SUBJECT OF AN EDITORIAL IN A MAJOR MANILA DAILY.

3. THESE DEVELOPMENTS, PARTICULARLY THE DEPLETION OF THE CCSP FUND, FORCED THE GOP IN 1977 TO INCREASE THE STABILIZATION LEVY FROM 30 TO 60 PESOS PER 100 KILOS AND FINALLY ON JUNE 8 THE PRICE STABILIZATION COUNCIL HAD TO AUTHORIZE INCREASES IN THE SUBSIDIZED PRICES OF VARIOUS COCONUT-BASED CONSUMER PRODUCTS. THESE PRICE INCREASES HAVE CAUSED A PUBLIC FUROR, BUT THE GOP HAS STOOD ITS GROUND AGAINST THE PROTESTS OF CONSUMER GROUPS.

4. IN THIS CONTEXT, ENRILE'S DEMAND ON THE SIX OIL MILLS APPEARS PLAUSIBLE, ALTHOUGH THE GOP WOULD BE HARD PRESSED TO COME UP WITH THE CAPITAL AND EXPERTISE TO RUN THESE MILLS EFFICIENTLY AND PROFITABLY. NONE OF THE SIX MILLS ARE FOREIGN OWNED. LU DO AND LY YM IS THE LARGEST COCONUT OIL MILL IN THE WORLD, AND IS OWNED BY A PROMIENT SINO-FILIPINO FAMILY OF CEBU WHO HAVE BEEN STRONG SUPPORTERS OF THE OSMENA CLAN. INTERNATIONAL AND MALIBON ARE THE SECOND AND THIRD LARGEST SUPPLIERS OF REFINED COCONUT OIL TO MANILA. THEY ARE ALSO SINO-FILIPINO, AS IS MOST OF THE INDUSTRY.

5. COMMENT: THIS IS NOT THE FIRST TIME THE GOP HAS WANTED LIMITED OFFICIAL USE

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TO TAKE OVER THE COCONUT INDUSTRY. IN 1975 IT WAS PREPARED TO TAKE OVER COPRA TRADING, BUT DESISTED BECAUSE OF THE FIASCO FOLLOWING THE NATIONALIZATION OF THE SUGAR EXPORT TRADE. ENRILE'S DEMAND MAY REMAIN A THREAT, FRIGHTENING THOSE MILLERS WHO FEEL MOST VULNERABLE AND ALSO WHO ARE IN THE FOREFRONT OF PROVIDING CONSUMER COOKING OIL. AN ACTUAL TAKEOVER, HOWEVER, WILL LIKELY SHAKE INVESTOR CONFIDENCE, DOMESTIC AND FOREIGN, DETAILS ON THE CCSP FUND ARE PROVIDED IN AGATT REPORT PH 8020. MURPHY

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